

Message Text

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USEEC, USOECD

E.O. 11652: N/A DECLASSIFY UPON RECEIPT

TAGS: ENRG, IEA

SUBJECT: CHAIRMAN'S NOTE FOR NOVEMBER 14-16 SLT MEETING

1. ADDRESSEES PLEASE PASS SLT CHAIRMAN'S NOTE IN PARA 2
BELOW TO HOST GOVERNMENT OFFICIALS RESPONSIBLE FOR SLT

MATTERS. USOECD PASS SECRETARIAT.

2. CHAIRMAN'S NOTE FOR NOVEMBER 14-16 IEA/SLT MEETING.

A. THE GOVERNING BOARD REQUESTED THE SLT TO REVIEW FURTHER THE PROPOSED PROGRAMME OF WORK IN NUCLEAR ENERGY, TAKING INTO ACCOUNT THE GOVERNING BOARD'S DISCUSSION OF THE PROPOSAL DRAFTED BY THE SECRETARIAT (IEA/GB(77)42), AND TO REPORT BACK TO THE NEXT GOVERNING BOARD.

OUR DISCUSSION OF THIS PAPER SHOULD BE IN THE CONTEXT OF THE GOVERNING BOARD'S EARLIER DISCUSSION OF NUCLEAR ENERGY MATTERS WHICH DIRECTED THE DEVELOPMENT OF A SPECIFIC WORK PROGRAMME FOR ADDRESSING NUCLEAR ENERGY ISSUES (SEC IEA/6B(77)28) AND DEVELOPMENTS IN OTHER FORA CONSIDERING NUCLEAR MATTERS.

THE PROPOSED NUCLEAR WORK PROGRAM IS AMBITIOUS. THE FIRST FIVE TASKS IDENTIFIED IN ANNEX II OF THE

SECRETARIAT PAPER RELATE DIRECTLY TO THE IEA ENERGY POLICY ROLE. TASK 6 APPEARS TO BE MORE RELEVANT TO LIMITED OFFICIAL USE
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THE CRD, ALTHOUGH THE OBVIOUS NEED FOR ADEQUATE NUCLEAR WASTE DISPOSAL AFFECTS THE ABILITY OF NUCLEAR POWER TO FULFILL ITS NECESSARY ROLE IN THE OVERALL ENERGY SUPPLY MIX, AND IS THEREFORE VERY RELEVANT TO THE PLACE OF NUCLEAR POWER AS AN ENERGY SOURCE. SOME OF THE FIRST FIVE TASKS SUGGESTED IN THE PAPER WILL INVOLVE INTENSIVE ANALYSIS, OTHERS MAY REQUIRE DIFFICULT NEGOTIATIONS, E.G., TASKS 2 AND 5, IF IT IS DETERMINED THAT THE IEA IS THE APPROPRIATE FORUM TO DEAL WITH THEM.

ASSUMING THAT THE SLT ENDORSES A PROGRAM OF WORK IN NUCLEAR ENERGY AND RECOMMENDS THAT THE GOVERNING BOARD DIRECT THAT SUCH WORK BE UNDERTAKEN, ANOTHER ISSUE MUST BE RESOLVED. THE SECRETARIAT ANTICIPATES "THAT THESE TASKS WOULD BE UNDER THE COGNIZANCE OF SLT, AND ITS NUCLEAR SUB GROUP, AND CRD AS APPROPRIATE." HOWEVER, THE CHAIRMAN OF THE NUCLEAR SUB GROUP, MR. HERZIG, HAS INDICATED THAT HE WOULD NOT BE ABLE TO CONTINUE TO HEAD THAT GROUP.

AN OBVIOUS SOLUTION WOULD BE TO SELECT A REPLACE-
MENT. THIS APPROACH HAS CERTAIN ADVANTAGES:

- IT CONTINUES TO GIVE NUCLEAR ENERGY PRIORITY IN THE IEA'S WORK;
- IT ENSURES THAT MEETINGS OF THIS GROUP WILL ATTRACT TECHNICALLY-QUALIFIED NATIONAL REPRESENTATIVES;

-- IT PROVIDES THE SLT WITH A BODY OF NUCLEAR
EXPERTS ON WHICH TO CALL TO DEAL WITH THESE ISSUES.

HOWEVER, AN ALTERNATIVE SOLUTION MIGHT ALSO BE
CONSIDERED: MERGING THE NUCLEAR SUB GROUP WITH THE
ACCELERATED DEVELOPMENT SUB GROUP. ADVANTAGES OF THIS
APPROACH INCLUDE:

-- ELIMINATION OF THE CURRENT "SPECIAL POSITION"
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ACCORDED TO NUCLEAR POWER -- WHICH MAY HAVE BECOME
ANACHRONISTIC -- AND TREATMENT SIMILAR TO OTHER ENERGY
SUPPLY ALTERNATIVES;

-- ENSURING THAT THE IEA TREATMENT OF NUCLEAR
POWER IS ESSENTIALLY RELATED TO ITS ENERGY ASPECTS;
OTHER ASPECTS ARE OF AT LEAST EQUAL IMPORTANCE BUT ARE

BEING HANDLED IN OTHER FORA;

-- ENHANCING SLT ABILITY TO COMPARE NUCLEAR TO OTHER
SOURCES OF ENERGY, PARTICULARLY FOR ELECTRICITY
GENERATION.

IF WE ADOPT THE LATTER APPROACH, WE WILL HAVE TO
CONSIDER -- IN LIGHT OF THE NUMBER OF TASKS BEING
LEVIED ON THE ACCELERATED DEVELOPMENT SUB GROUP -- WHAT
NEEDS TO BE DONE TO ENSURE THAT IT CAN CARRY OUT EXIST-
ING WORK AS WELL AS ADEQUATELY PERFORM THE NEW TASKS
OUTLINED IN THE SECRETARIAT PAPER.

B. NATURAL GAS - THIS SUBJECT WAS REMANDED TO THE
ACCELERATED DEVELOPMENT SUB GROUP EARLIER THIS YEAR ON
THE BASIS OF THE SECRETARIAT PAPERS PREPARED ON NATURAL
GAS (IEA/SLT(77)95 AND THE WORKING PAPER DATED 31
AUGUST 1977). THE FORMER SECRETARIAT PAPER POSED A
NUMBER OF ISSUES FOR SLT CONSIDERATION. IT WOULD BE
USEFUL TO HAVE AN INTERIM REPORT ON PROGRESS TO DATE ON
THIS ISSUE AND FUTURE WORK PLANS TO ENABLE THE SLT TO
CONSIDER WHETHER FURTHER GUIDANCE IS NECESSARY AT THIS
POINT.

C. STATUS AND HANDLING OF SLT COUNTRY REPORTS:
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AT OUR LAST MEETING WE AGREED TO HAVE A FURTHER
DISCUSSION OF HOW WE WOULD TREAT THE INDIVIDUAL COUNTRY

REPORTS WHICH EMERGE FROM THE NEXT CYCLE OF SLT REVIEWS. THE SECRETARIAT WAS ASKED TO PROVIDE A DESCRIPTION OF THE REVIEW PROCESS USED IN OTHER OECD BODIES. THAT PAPER HAS BEEN CIRCULATED.

OUR CONSIDERATION OF THIS ISSUE SHOULD TAKE FULL ACCOUNT OF THE RESULTS OF THE OCTOBER 5-6 MINISTERIAL MEETING. THE IMPLICATION OF MINISTERS' ACTIONS IS THAT THE ANNUAL REVIEW PROCESS WILL BE DYNAMIC AND DESIGNED TO HELP IEA MEMBER COUNTRIES STRENGTHEN NATIONAL ENERGY PROGRAMS AND POLICIES, THUS ENSURING THAT WE ATTAIN THE GROUP OIL IMPORT OBJECTIVE.

DURING THE SLT DISCUSSION ON SEPTEMBER 8-9, WE DISCUSSED A NUMBER OF OPTIONS FOR HANDLING SLT COUNTRY REPORTS:

1. RAPPOREUR'S EDITORIAL RESPONSIBILITY - THIS PROCEDURE IS VERY SIMILAR TO THAT FOLLOWED DURING THE LAST

SET OF REVIEWS. UNDER IT, THE RAPPOREUR PREPARES A REPORT ON THE COUNTRY EXAMINED, DRAWING ON THE "BASE DOCUMENT" PREPARED BY THE SECRETARIAT AND THE PLENARY EXAMINATION. THE RAPPOREUR'S DRAFT IS THEN REVIEWED BY THE CHAIRMEN OF THE SLT AND ITS SUB GROUPS AND BY THE SECRETARIAT, WHO SUBMIT SUGGESTED SUBSTANTIVE CHANGES TO THE RAPPOREUR. THE FINAL DECISION ON ACCEPTANCE AND INCORPORATION OF THESE CHANGES WOULD BE THE RESPONSIBILITY OF THE RAPPOREUR.

2. SLT APPROVAL - THE RAPPOREUR WOULD PREPARE A FIRST DRAFT, DRAWING ON THE BASE DOCUMENT PREPARED BY THE SECRETARIAT AND THE RESULTS OF THE PLENARY EXAMINATION
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OF THE COUNTRY'S ENERGY PROGRAM, WHICH WOULD BE SUBSEQUENTLY REVIEWED, MODIFIED AS NECESSARY, AND ENDORSED BY THE FULL SLT.

3. NEW REVIEW PROCEDURE - A FINAL ALTERNATIVE WOULD BE A PROCESS BASED ON PROCEDURES IN EFFECT IN OTHER PARTS OF THE OECD. THESE ARE DESCRIBED IN THE SECRETARIAT PAPER.

THE PRESENT SLT REVIEW PROCESS PARALLELS PROCEDURES USED IN OTHER OECD BODIES. THE CRITICAL ISSUES CONCERN THE FINALIZATION OF THE REPORT AND ITS STATUS.

THE FIRST STEP SEEMS FAIRLY STRAIGHT FORWARD, PREPARATION OF THE DRAFT ASSESSMENT. I SUGGEST WE CONTINUE TO FOLLOW THE CURRENT PRACTICE OF LEAVING THIS RESPONSIBILITY

BILITY TO THE RAPPORTEUR, WITH SECRETARIAT ASSISTANCE.

THERE ARE SEVERAL OPTIONS ON THE NEXT STEP:

- 1) PLENARY REVIEW OF THE DRAFT, MODIFICATION AS APPROPRIATE, AND APPROVAL OF THE FINAL REPORT BY THE SLT.
- - -
- 2) A PROCEDURE SIMILAR TO THAT USED LAST YEAR, BY WHICH THE DRAFT IS REVIEWED BY A COMMITTEE CONSISTING OF THE CHAIRMAN OF THE SLT AND ITS SUBGROUPS AND THE SECRETARIAT FOLLOWED BY SLT PLENARY REVIEW AND APPROVAL.
- 3) A CHAIRMAN'S NOTE COMMENTING ON EACH COUNTRY'S PROGRAM, ON HIS OWN RESPONSIBILITY, ALONG WITH A DESCRIPTION OF THE CONSENSUS WHICH EMERGED FROM THE

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PLENARY REVIEW SESSION.

FOLLOWING THE PRACTICE OF LAST YEAR WILL INEVITABLY RESULT IN THE SAME TYPE OF CONFUSION OVER THE STATUS OF INDIVIDUAL REPORTS AS PREVAILED AFTER THE LAST REVIEW CYCLE. I SUGGEST WE TRY TO AGREE AT THE FORTHCOMING SLT MEETING ON A NEW SET OF PROCEDURES. AT THE SAME TIME, WE SHOULD KEEP IN MIND THE SECRETARIAT'S COMMENT THAT WITH OUR LIMITED EXPERIENCE IN THE SLT IT WILL BE DIFFICULT TO SETTLE THIS ISSUE DEFINITELY, AND WE SHOULD KEEP THIS MATTER UNDER CONTINUING REVIEW AND MODIFY AND IMPROVE IT AS EXPERIENCE IS GAINED.

WE SHOULD ALSO RE-ASSESS THE PROGRAM FOR THE SCHEDULING OF IN-DEPTH REVIEWS. ONE ALTERNATIVE WOULD BE TO CONTINUE THE PROCEDURE ADOPTED EARLIER THIS YEAR OF SELECTING 6-7 COUNTRIES EACH YEAR, THUS ASSURING THAT ALL 19 IEA MEMBERS ARE SUBJECT TO AN IN-DEPTH REVIEW ONCE EVERY THREE YEARS.

AN ALTERNATIVE WOULD BE TO ESTABLISH A FIVE-YEAR CYCLE, DURING WHICH EACH IEA MEMBER WOULD BE REVIEWED IN-DEPTH AT LEAST ONCE. AT THE SAME TIME, WE COULD AGREE TO CERTAIN CRITERIA FOR IDENTIFYING COUNTRIES FOR IN-DEPTH REVIEWS SUCH AS:

- 1) COUNTRIES WITH OIL IMPORTS OVER A CERTAIN LEVEL;
- 2) COUNTRIES WITH OIL PRODUCTION OVER CERTAIN LEVELS;

3) COUNTRIES WHICH HAVE SUBSTANTIALLY REVISED
NATIONAL ENERGY PROGRAMS.

THIS WOULD IMPLY THAT SOME COUNTRIES WOULD BE
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REVIEWED IN-DEPTH MORE THAN ONCE EVERY FIVE YEARS. FOR
PREPARATION OF BASE DOCUMENTS - AS IS THE CASE NOW -
THE SECRETARIAT WOULD HAVE THE RESPONSIBILITY, DRAWING
ON COUNTRY RESPONSES TO THE ANNUAL QUESTIONNAIRE. THE
BASE DOCUMENT WOULD PROVIDE BASIC STATISTICAL INFORMATION,
A FACTUAL ANALYSIS OF THE CURRENT ENERGY
SITUATION AND A PRELIMINARY EVALUATION OF THE DIRECTION
OF NATIONAL PROGRAMS. IN THE CASE OF COUNTRIES UNDER-
GOING IN-DEPTH REVIEW, THIS TASK WOULD BE PERFORMED
JOINTLY BY THE SECRETARIAT AND THE IN-DEPTH TEAM.

TWO OTHER ISSUES WHICH SHOULD BE DISCUSSED RELATE
TO THE TIMING OF REVIEWS AND THE RESPONSES TO
QUESTIONNAIRES.

TIMING - GIVEN THE MARCH 1 DEADLINE SPECIFIED FOR
THE SLT REPORT TO THE GOVERNING BOARD EACH YEAR AND THE
NUMBER AND FREQUENCY

OF MEETINGS REQUIRED TO MEET IT, I SUGGEST WE PLAN TO BEGIN
THE 1978 REVIEWS EARLIER AND ALLOW MORE TIME BEFORE EACH
TRANCHE. I SUGGEST WE PLAN TO BEGIN THE NEXT CYCLE OF
REVIEWS IN OCTOBER 1978 AND ALLOW ABOUT FIVE TO SIX WEEKS
BETWEEN EACH TRANCHE. THE REVIEW CYCLE COULD THUS BE
COMPLETED IN DECEMBER AND PROVIDE SUFFICIENT TIME FOR
FINALIZING COUNTRY REPORTS AND PREPARING THE OVERALL SLT
REPORT TO THE GOVERNING BOARD.

RESPONSES TO QUESTIONNAIRES - IF WE AGREE TO ADVANCE THE
DATES OF THE 1978 REVIEWS, WE WILL HAVE TO MAKE
APPROPRIATE MODIFICATIONS IN THE DATES AND CHARACTER OF
THE RESPONSES BY EACH COUNTRY TO THE QUESTIONNAIRE. I
SUGGEST THE FOLLOWING:
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- 1) THE DUE DATE FOR RESPONSES TO QUESTIONNAIRES BE JUNE 15;
- 2) WE AGREE NOT TO MAKE MORE THAN MINOR MODIFICATIONS IN
THE QUESTIONNAIRE USED FOR THIS YEAR'S REVIEW - PERHAPS
BY STRIKING SECTIONS REQUESTING INFORMATION WHICH WE FIND
NOT NECESSARY;

3) WE AGREE TO ADD ONE SECTION TO THE QUESTIONNAIRE, REQUESTING COUNTRIES TO COMMENT ON ACTIONS TAKEN WITH RESPECT TO THE PRINCIPLES FOR ENERGY POLICY.

AN ISSUE NOT TOUCHED ON CONCERNS PUBLICATION. I SUGGEST WE NOT TRY TO SETTLE THIS ISSUE AT THIS TIME AND ADDRESS IT AT THE END OF THE REVIEW CYCLE.

A LAST ITEM WE MIGHT ADDRESS RELATES TO THE PROCEDURES FOR THE REVIEWS. IF THE SLT AGREES TO MERGE THE NUCLEAR AND ACCELERATED DEVELOPMENT SUBGROUPS, WE MIGHT CONSIDER SELECTING TWO EXAMINERS FOR EACH COUNTRY, ONE WITH SUPPLY AND ONE WITH DEMAND EXPERTISE.

D. CONSERVATION - THE CONSERVATION SUBGROUP HAD AN EXTREMELY PRODUCTIVE MEETING ON OCTOBER 20-21 AND HAS SUBMITTED A NUMBER OF PAPERS FOR SLT CONSIDERATION. THESE PAPERS OUTLINE A PROPOSED WORK PROGRAM FOR THE CONSERVATION SUBGROUP, PROVIDE PRELIMINARY POLICY RECOMMENDATIONS FOR ELECTRICITY TARIFF RATE STRUCTURES AND BUILDING CODES AND MAKE AVAILABLE ANALYTIC FRAMEWORKS FOR USE BY THE SLT DURING THE REVIEWS.

1) WORK PROGRAM FOR THE CONSERVATION SUBGROUP, IEA/
SLT(77)101

THE CHAIRMAN HAS OUTLINED THREE AREAS OF WORK CONCENTRATION FOR THE CONSERVATION SUBGROUP:
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A) POLICY RECOMMENDATIONS FOR SLT CONSIDERATION:

1. UTILITY RATE STRUCTURES
2. ENERGY CONSERVATION IN THE BUILDING SECTOR

B) SLT REVIEW PROCEDURE:

1. EVALUATION OF DEMAND FORECASTS
2. CRITERIA AND INDICATORS FOR EVALUATION OF "ADEQUACY OF EFFORTS, IN CONSERVATION
3. EVALUATION OF HISTORICAL CONSERVATION RESULTS.

C) PRIORITY WORK IN OTHER CONSERVATION SECTORS:

- ENERGY CONSERVATION IN INDUSTRY
- PUBLIC MOTIVATION, EDUCATION, AND INFORMATION
- DISTRICT HEATING

-- CONSERVATION, GROWTH, AND EMPLOYMENT; AND

-- CONSERVATION POLICY IN THE TRANSPORT SECTOR.

THE WORK PROGRAM ELABORATED IN THE CHAIRMAN'S NOTE APPEARS CONSTRUCTIVE, WELL-CONCEIVED, AND MANAGEABLE. I BELIEVE SLT SHOULD ENDORSE IT.

2) PRELIMINARY POLICY RECOMMENDATIONS:

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A) ELECTRICITY UTILITY TARIFF STRUCTURE, IEA/SLT (77)102

THIS PAPER MAKES PRELIMINARY POLICY RECOMMENDATIONS RELATING TO ELECTRICITY TARIFF RATE STRUCTURES IN THE IEA. THE RECOMMENDATIONS ARE PRELIMINARY BECAUSE MUCH OF THE ANALYSIS AND INFORMATION AVAILABLE TO THE SUBGROUP WAS PRIMARILY DRAWN FROM THE CURRENT U.S. DATA ON ELECTRICITY PRICING. THE SUBGROUP INTENDS TO PURSUE ITS ANALYSIS AS INFORMATION ON ELECTRICITY PRICING POLICIES IN OTHER COUNTRIES IS MADE AVAILABLE FROM THE SLT QUESTIONNAIRE AND OTHER SOURCES.

IEA/SLT(77)102 DESCRIBES THE THEORY OF MARGINAL COST PRICING AS APPLIED TO THE ELECTRICAL INDUSTRY. THE PAPER NOTES THAT ALTHOUGH MANY CURRENT RATE STRUCTURES ARE BASED ON SUCH PRINCIPLES, THE ECONOMICS IN THE UTILITY INDUSTRY HAVE CHANGED. SUCH RATE STRUCTURES NO LONGER REFLECT THE DAILY OR SEASONAL COST OF SERVING EACH CUSTOMER CLASS. MANY COUNTRIES ARE NOW ADOPTING NEW TARIFF STRUCTURES BASED ON THE MARGINAL COST PRINCIPLE. THE PAPER NOTED THAT AS A PRICING PRINCIPLE, MARGINAL COST PRICING IS CONSISTENT BOTH WITH ECONOMIC THEORY AND, IN THE ELECTRICAL INDUSTRY, ENERGY CONSERVATION.

GIVEN THE GOVERNING BOARD'S RECOMMENDATIONS AND THE CURRENT STRUCTURE OF THE ELECTRICAL INDUSTRY AS ANALYSED THROUGH THE CONCEPT OF MARGINAL COST, THE FOLLOWING CONCLUSIONS CAN BE DRAWN:

-- REPLACEMENT COSTS ARE LIKELY TO BE HIGHER THAN CURRENT OR HISTORIC COSTS. CONSEQUENTLY, THERE IS IN MANY CIRCUMSTANCES A NEED TO INCREASE THE GENERAL LEVEL OF ELECTRICITY PRICES, POSSIBLY THROUGH EXCISE TAXES, AND/OR REVISED TARIFF STRUCTURES.

-- IN MANY CASES, THE COST OF GENERATING OFF-PEAK

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ELECTRICITY IS BELOW CURRENT PRICE LEVELS, WHILE PEAK GENERATING COSTS ARE ABOVE. CONSEQUENTLY, THERE IS FREQUENTLY A CASE FOR REDUCING ELECTRICITY TARIFFS DURING OFF-PEAK HOURS AND SEASONS AND INCREASING THEM DURING PEAK DEMAND PERIODS IN ORDER TO TAKE INTO ACCOUNT THE EFFECT OF THE PRICE STRUCTURE ON LOAN MANAGEMENT.

-- IN GENERAL, CLOSER ATTENTION MUST BE PAID TO THE ELECTRICITY TARIFF STRUCTURE AND ITS EFFECT ON INVESTMENT DECISIONS IN THE BROADER CONTEXT OF MACRO-ECONOMIC POLICY.

-- ELECTRICITY PRICING SCHEMES MUST IN SOME CIRCUMSTANCES ALSO TAKE INTO ACCOUNT THEIR EFFECT ON OTHER SOCIAL OBJECTIVES. SUCH OBJECTIVES MAY REQUIRE SOME MODIFICATIONS OF THE POLICY RECOMMENDATIONS.

AFTER WE HAVE HAD AN OPPORTUNITY TO DISCUSS THESE ISSUES, THE SLT SHOULD CONSIDER:

-- APPROVING, ON A PRELIMINARY BASIS, THE CONCLUSIONS RESULTING FROM THE STUDY;

-- SUGGESTING THE SUBGROUP REVIEW ADDITIONAL INFORMATION ON COUNTRIES' ELECTRICITY TARIFF STRUCTURES RESULTING FROM THE RESPONSES TO THE SLT QUESTIONNAIRE, INCORPORATE SUCH ADDITIONAL INFORMATION, AND RESUBMIT A MORE FULLY ELABORATED PAPER BY LATE SPRING FOR SLT REVIEW.

B) ENERGY CONSERVATION IN THE BUILDING SECTOR, IEA/SLT (77)105 - THE SUBGROUP CONSIDERED ENERGY CONSERVATION SAVINGS IN THE BUILDING SECTOR BASED ON REPLIES TO QUESTIONNAIRES. A MORE CONCLUSIVE ANALYSIS WILL BE PRESENTED AT A LATER MEETING WHEN MORE REPLIES HAVE BEEN LIMITED OFFICIAL USE
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RECEIVED. THE REPLIES RECEIVED THUS FAR TEND TO INDICATE THAT:

-- MOST OF THE CONSERVATION MEASURES REPORTED FOR NEW BUILDINGS APPEAR TO BE PROFITABLE UNDER PLAUSIBLE, ENERGY-COST ASSUMPTIONS. SOME ARE HIGHLY PROFITABLE.

-- THE MEASURES CONSIDERED FOR EXISTING BUILDING ARE EITHER UNPROFITABLE OR ONLY marginally profitable, assuming ENERGY PRICES REMAIN CONSTANT IN NOMINAL TERMS, AN UNLIKELY PROSPECT.

THE INFORMATION PROVIDED THUS FAR IS SUFFICIENT TO JUSTIFY

A RECOMMENDATION THAT IEA GOVERNMENTS TAKE MEASURES TO ENCOURAGE MORE RIGOROUS ENERGY INSULATION FOR NEW DWELLING UNITS. THE MOST APPROPRIATE MEASURES WOULD PROBABLY BE TO LEGISLATE MANDATORY INSULATION STANDARDS FOR NEW HOMES OR PROVIDE OTHER INCENTIVES TO ACHIEVE THIS OBJECTIVE

NO RECOMMENDATIONS CAN BE MADE AT THIS TIME CONCERNING EXISTING BUILDINGS, GIVEN THE LACK OF DATA AND MORE CERTAIN INDICATIONS AS TO WHETHER BENEFITS EXCEED COSTS. THE SLT SHOULD CONSIDER:

-- APPROVING THE PRELIMINARY RECOMMENDATIONS REGARDING CONSERVATION MEASURES FOR NEW BUILDING;

-- SUGGEST THE SUBGROUP CONTINUE ITS ANALYSIS OF THE PROFITABILITY OF RETROFITTING EXISTING BUILDINGS TAKING INTO ACCOUNT WHERE POSSIBLE (A) THE PROBABILITY THAT ENERGY PRICES WILL NOT REMAIN CONSTANT IN NOMINAL TERMS, (B) BENEFICIAL ENVIRONMENTAL, BALANCE OF PAYMENTS, AND EMPLOYMENT EFFECTS; AND (C) SUBSIDIES NECESSARY TO INDUCE HOMEOWNERS TO MAKE RETROFITTING INVESTMENT.

THE CONSERVATION SUBGROUP SHOULD PROVIDE THE SLT WITH THE LIMITED OFFICIAL USE
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RESULTS OF THIS ANALYSIS AND ANY APPROPRIATE POLICY RECOMMENDATIONS NEXT SPRING.

(3) SLT REVIEW PROCEDURE:

A) EVALUATION OF ENERGY DEMAND FORECASTS, IEA/SLT(77)99 - THIS VERY USEFUL PAPER SUCCESSFULLY BALANCES TECHNICAL MEASUREMENTS, POLICY CONSIDERATIONS, AND PRACTICAL APPLICATIONS.

AMONG THE EVALUATION PROCEDURES FOR ENERGY DEMAND FORECASTS ARE THE FOLLOWING:

1. DATE WHEN THE PROJECTION WAS PREPARED
2. NATURE OF THE PROJECTION (BASE CASE VS. POLICY)
3. ECONOMIC GROWTH ASSUMPTION
4. COMPARISON WITH OTHER DEMAND FORECASTS
5. CHANGES IN TPE/GDP
6. PRICE ELASTICITIES OF DEMAND FOR ENERGY
7. ESTIMATED ENERGY SAVINGS

8. CONSERVATION POLICIES ASSUMED

9. STRUCTURAL CHANGES

THE SLT SHOULD APPROVE THIS ANALYTICAL FRAMEWORK
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EVALUATING ENERGY DEMAND FORECASTS SUBMITTED BY
MEMBER COUNTRIES. THE PROCEDURES USED IN THIS ANALYSIS
SHOULD BE INCLUDED IN THE BASE DOCUMENTS PREPARED ON EACH
COUNTRY BY THE SECRETARIAT AND HIGHLIGHTED IN EVALUATION
REPORTS.

B) CRITERIA AND INDICATORS FOR EVALUATING ENERGY
CONSERVATION PROGRAMS, IEA/SLT(77)103:

THE SECRETARIAT REORGANIZED INDICATORS THAT APPEAR
IN IEA/SLT(77)77 IN ACCORDANCE WITH THE 12 PRINCIPLES
FOR ENERGY POLICY. THESE WILL BE INCORPORATED IN THE
"ADEQUACY OF EFFORTS" PAPER CONSIDERED BY THE SLT.

I SUGGEST THE SLT:

-- ACCEPT IEA/SLT(77)103 AS CONSERVATION CONTRI-
BUTION TO OUR ATTEMPT TO CONSTRUCT A FRAMEWORK FOR THE
ADEQUACY OF EFFORTS EVALUATION.

-- INSTRUCT THE SECRETARIAT TO INCLUDE A SECTION
ON ADEQUACY OF EFFORTS IN THE CONSERVATION SECTOR OF
THE BASE DOCUMENT ON MEMBER COUNTRIES' ENERGY PROGRAMS.
RAPPOORTEURS SHOULD ALSO HIGHLIGHT SUCH EFFORTS IN THEIR
REPORTS.

C) EVALUATION OF HISTORICAL ENERGY EFFICIENCY
IEA/SLT(77)107 - THIS PAPER IS A "THINK PIECE" PRE-
PARED BY THE SECRETARIAT WHICH DRAWS THE FOLLOWING
CONCLUSIONS:

1) COUNTRIES WHICH HAVE EVALUATED THEIR OWN
CONSERVATION EFFORTS AND RESULTS SHOULD SUBMIT STUDIES
TO THE SECRETARIAT, INCLUDING AN EXPLANATION OF METHO-
DOLOGY;

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2) OECD AND MEMBER COUNTRIES' DATA SHOULD BE USED

TO DEVELOP A COMPREHENSIVE VIEW OF ENERGY DEMAND BY
SECTOR FOR THE YEAR UNDER REVIEW;

3) YEARLY FLUCTUATIONS IN TPE/GDP RATIOS OR
ELASTICITIES CAN BE MODERATED BY EXAMINING A 3, 4, OR 5
YEAR PERIOD.

I SUGGEST WE REQUEST ADDITIONAL WORK BY THE
SECRETARIAT IN THIS FRUITFUL ANALYTIC AREA INCLUDING
SECTORAL ANALYSIS BY COUNTRY, QUARTERLY DATA EXAMINA-
TION, AND INTERNATIONAL COMPARISONS OF MEMBER COUNTRIES'
ENERGY USE EFFICIENCIES, WHERE POSSIBLE.

4. FUTURE WORK PROGRAM:

I SUGGEST THE SLT APPROVE THE FUTURE WORK PROGRAM
OUTLINED BY THE CHAIRMAN OF THE CONSERVATION SUB-
GROUP. HOWEVER, THE SLT SHOULD EMPHASIZE THAT IT
EXPECTS THESE ACTIVITIES TO RESULT IN POLICY RECOMMENDA-
TIONS WHICH ARE SUSCEPTIBLE FOR IEA-WIDE ADOPTION. THIS
IS PARTICULARLY TRUE OF THE MEETINGS AND STUDIES WHICH
WILL BE UNDERTAKEN IN THE AREAS OF INDUSTRIAL AND
TRANSPORTATION CONSERVATION, PUBLICITY AND THE ANALY-
TICAL WORK ON CONSERVATION, GROWTH AND EMPLOYMENT
BEING PURSUED BY THE SECRETARIAT. RESULTS OF WORK THUS
FAR ON DISTRICT HEATING HAVE BEEN SOMEWHAT DISAPPOINTING.
WHILE THERE IS CERTAINLY SIGNIFICANT POTENTIAL FOR CON-
SERVATION IMPACT FROM DISTRICT HEATING IN INDIVIDUAL
COUNTRIES, THIS AREA DOES NOT APPEAR TO LEND ITSELF
TO POSSIBLE IEA COOPERATION.

(I WILL BE SENDING OUT SEPARATELY WITHIN THE NEXT FEW
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DAYS A NOTE COVERING THE OTHER TWO ISSUES WE WILL BE
ADDRESSING AT OUR NEXT MEETING, I.E., COAL AND A FRAME-
WORK FOR THE ASSESSMENT OF ADEQUACY OF EFFORTS.)

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Current Classification: UNCLASSIFIED
Concepts: NUCLEAR ENERGY, MEETING CHAIRMAN, PLANNING MEETINGS, DIPLOMATIC NOTES
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE258721
Document Source: ADS
Document Unique ID: 00
Drafter: EB/ORF:LRRAICHT; EB/FSE:DTHICKEY:GDG
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D770399-0094
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197710108/baaaeudx.tel
Line Count: 640
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 09a0c924-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 755194
Secure: OPEN
Status: NATIVE
Subject: CHAIRMAN'S NOTE FOR NOVEMBER 14-16 SLT MEETING
TAGS: ENRG, IEA
To: ATHENS PARIS MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/09a0c924-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009